

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Annual Compliance Review, 2012

Docket No. ACR2012

CHAIRMAN'S INFORMATION REQUEST NO. 9

(Issued February 15, 2013)

To clarify the basis of the Postal Service's estimates in its FY 2012 Annual Compliance Report (ACR), filed December 28, 2012, the Postal Service is requested to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed, but no later than February 22, 2013.

International Mail

1. Refer to the response to CHIR No. 5, question 4, where the Postal Service identifies USPS-FY12-NP2 (Revised), Excel file Inputs.xls, worksheet tab GDEI as the source for the detailed financial results used to derive total revenue, pieces, pounds and volume variable costs for Global Direct Entry with Foreign Postal Administrations reported in the FY 2012 ICRA, as shown in Excel file Reports (Booked).xls (Revised 1-14-13), worksheet tab A Pages (md), Table A-2. The total revenue reported in worksheet tab GDEI, cell C13, for Global Direct Entry is greater than the total revenue for Global Direct Entry reported in worksheet tab A Pages (md), Table A-2, cell D86. Please reconcile.
2. Refer to the response to CHIR No. 7, question 1(a), where it states that Australia and China were not assigned to Tier 1 or Tier 2 because Australia-origin and China-origin "inbound EMS was grouped outside the EMS rates set in connection

with the EMS grouping associated with Order No. 162.” [Citation omitted]. Also, refer to the response to CHIR No. 4, question 12 (a) and (b). Based upon the response to question 12(a) that Australia and China were Kahala Posts Group (KPG) members, and therefore subject to Article 10 of the KPG Strategic Services Agreement 2012, but were not grouped in Tier 1 (or Tier 2), please confirm that Tier 1 and Tier 2 do not constitute a comprehensive grouping of all countries that enter inbound EMS into the U.S. If not confirmed, please explain. If confirmed, please explain why a third and fourth tier are not established to group a) countries that have bilateral agreements with the Postal Service but also are members of the Kahala Posts Group or are subject to the EMS Pay-for-Performance plan; and, b) countries with bilateral agreements that are *not* members of the Kalaha Posts Group or otherwise subject to the EMS Pay-for-Performance plan, respectively.

#### MODS

3. The operation-to-productivity group map provided in CHIR4Q16.xls shows MODS operations 276 (DBCS/DIOSS OSS I/C Secondary) and 277 (DBCS/DIOSS OSS Box Section) mapped to USPS-FY12-23 productivity group 12-In BCS Secondary. In Docket No. RM2012-2, the Postal Service’s response to CHIR No. 1, question 3 (CHIR\_No\_1\_3.xls) shows a note for these MODS operation codes (276 and 277): “Discontinued FY 2012.” Please resolve this apparent discrepancy.
4. In USPS-FY12-23.Preface.pdf, section “III. Program Documentation, A. Mail Processing Plant Productivities” at 6, inputs to the modsprod.f program show two inputs as: “bmclist – List of 21 NDCs and ASFs” and “vvpositions – List of the 375 facility IDs.” However, the 2012 MODS raw data file (provided in CHIR No.1, question 13, USPS-FY12-NP31) contains 22 unique finance numbers (facility\_type=1/NDC) and 368 other finance numbers. Please resolve the

difference between the total number of facilities shown in the USPS-FY12-23.Preface.pdf (total number of facilities = 396) and the MODS raw data file in USPS-FY12-NP31 (total number of facilities/unique finance numbers = 390).

5. In the Postal Service's response to CHIR No. 4, question 23, the Postal Service stated that "The decrease in the measured productivity for the Outgoing BCS Secondary group is driven largely by a decrease in productivity for MODS operation 892 ("DBCS/DIOSS BCS O/G SECONDARY). Volume (workload) in operation 892 has declined sharply from FY 2010 to FY 2012, but workhours have not declined proportionally." The Postal Service further explains that the primary underlying factor is a "Sort Program Optimization (SPO) program." Upon examination of the FY 2012 MODS data provided in USPS-FY12-NP31, there are some facilities logging work hours to operation 892 (without any accompanying webEOR TPF/TPH volumes on a daily tour basis). In its response to Interrogatory PR/USPS-4 in Docket N2012-1, the Postal Service explained that "Some workhours for an operation may be recorded in a tour adjacent to the tour in which the associated workload is recorded." While this dynamic is visible in some of the FY 2012 MODS daily tour data, some facilities also log work hours to operation 892 for several days without any accompanying volume in the adjacent tour or the next day(s) for operation 892. Some examples are included in the attached dailytouroperation892.pdf file, filed under seal as Attachment A. How does the Postal Service distinguish between volume declining (attributed to the SPO program) versus volume declining due to misclocked work hours in operation 892?
6. Using the MODS data provided in USPS-FY12-NP31, the Outgoing BCS Secondary productivity/operation group results were replicated. SAS 9.3 was used to apply the same "default ops" screen shown in the FORTRAN modsprod.f (USPS-FY12-23) and the same additional data screens (1% elimination of

outliers and only use of MODS observations with both positive work hours and volume) applied in the TSP program (USPS-FY12-23, yr\_scrub.tsp). The resulting 'scrubbed obs' (aggregated monthly facility TPF and work hours) show that there are a number of very low value FacilityMonthlyPRs (monthTPFsum divided by monthhoursum), despite the screening procedures currently used (these scrubbed obs are listed in the PRgrp8obs.pdf file). Some of these scrubbed obs may be low, due in part, to what appears to be daily tour work hours logged to operation 892 (without accompanying volume) that are not eliminated by the screening procedures currently in place when aggregated to the monthly and productivity group level. Several facilities and days are shown as examples in the dailytouroperation892.pdf file, filed under seal in Attachment A.

- a. At what value is a facility's monthly observation (based on the FacilityMonthlyPR value shown in the PRgrp8.pdf) too low to be considered accurate?
  - b. At what value is a facility's monthly observation (based on the FacilityMonthlyPR value shown in the PRgrp8.pdf) too high to be considered realistic?
7. MODS operation 482 daily tour data are aggregated to the month for a facility and screened prior to being aggregated with other operations mapped to the Outgoing BCS Secondary productivity group. This screen, shown in the modsprod.f program of USPS-FY12-23, simply eliminates a facility's entire monthly work hours logged to operation 482, if no volume has been entered for the entire month in this operation. Despite this screening measure, aggregating to the month appears to mask some daily tour errors in operation 482 that do not get eliminated when the grouped operations data are scrubbed for outliers in the yr\_scrub.tsp program provided in USPS-FY12-23. See selected examples in the dailytouroperation482.pdf file, filed under seal in Attachment A.

- a. Please explain the inclusion of daily tour data that appear to be errors, particularly for an operation that may contain default hours, in the scrubbed productivity ratio calculation.
- b. The MODS M-32 Handbook (March 2009) contains a section titled “8-6 Making Adjustments” at 118. Are adjustments made for the daily tour errors in operation 482? If so, please show where this appears in the raw FY 2012 MODS data provided in USPS-FY12-NP31.

#### Market Tests

8. Please refer to the United States Postal Service FY 2012 Annual Compliance Report at page 44.
  - a. Please confirm that the volume, revenue, and cost information for market tests provided in the table represent FY 2012 only, rather than cumulative data reflecting the entire span of the respective market tests. If not confirmed, please provide volume, revenue, and cost information for FY 2012 only.
  - b. Please confirm that the volume, revenue, and cost information presented for EDDM-R reflect only the portion of FY 2012 in which the market test was in effect. If not confirmed, please separately provide data that reflect only the portion of FY 2012 in which the market test was in effect, and data that reflect only the portion of FY 2012 in which EDDM-R was an established market dominant product.

#### Standard Mail

9. In its comments, ACMA addresses the possibility of a multiplier effect for Standard Mail Flats. It asserts that “an increase in catalog volume would be expected to cause an increase in parcels and First-Class letters.” ACMA Comments at 20. Please quantify the revenue, volume, and contribution from

other products that are generated by Standard Mail Flats catalogs and describe the basis on which those figures are developed.

10. In its comments, ACMA suggests that Standard Mail Flats are to some extent the residual of Carrier Route catalog mailings.
  - a. For FY 2012, what percentage of Standard Mail Flats volume was residual to Carrier Route and/or High Density flats?
  - b. For FY 2012, what percentage of Standard Mail Flats volume were catalogs?
  - c. For FY 2012, what percentage of Carrier Route flats and High Density flats volume were catalogs?

#### Customer Access

11. Please provide a reconciliation of the numbers of (1) Post Offices, (2) Stations, Branches, and Carrier Annexes shown in the Postal Service's Annual Report to Congress (at 23) with the corresponding figures shown in ACR Library Reference USPS-LR-FY12-33, "*PostOfficesFY2012*".xls.
12. Please reconcile the number of (1) Contract Postal Units, and (2) Community Post Offices, shown in the Postal Service's Annual Report to Congress (at 23), with the corresponding figures shown in the Postal Service's Response to CHIR No. 5, question 33, "ChIR5.Q33 CPOs & CPUs.xls". Does "ChIR5.Q33 CPOs & CPUs.xls" include every CPU and CPO that were open for at least one day during FY 2012?
13. In the Excel file "CHIR2.3".xls. provided in response to CHIR No. 2, question 3, please specify whether the records shown on the worksheet "Results" represent CPOs and CPUs in existence at the beginning of FY 2012 or the end of FY 2012.

- 14 Do the Handbook PO-101 Suspension procedures apply to Contract Postal Units and/or Community Post Offices? If the answer is yes, please provide an Excel spreadsheet listing of CPOs and CPUs suspended during FY 2012 including the CPO/CPU name, ID Number, City, State and 5-digit Zip Code. If the answer is no, please explain.

By the Chairman.

Ruth Y. Goldway